



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

JUN 25 1992

Mr. William J. Usery, Jr.
Chairman
Partners in Economic Reform Inc.
1730 Rhode Island Avenue, N.W.
Suite 301
Washington, D.C. 20036

Subject: Cooperative Agreement No. CCS-0002-A-00-2032-00

Dear Mr. Usery:

Pursuant to the authority contained in the Foreign Assistance Act of 1961, as amended, the Agency for International Development (hereinafter referred to as "A.I.D." or Grantor) hereby provides to Partners in Economic Reform Inc. (hereinafter referred to as "PIER" or "Recipient") the sum of Five Hundred and Thirty Nine Thousand and Two Hundred Dollars (\$539,200) to provide support for the Coal Mine Management and Safety Improvement component under the Coal, Gas, Oil and Electricity Production and Delivery Systems Project in the New Independent States, as more fully described in Attachment 2, entitled "Program Description."

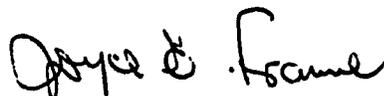
This Cooperative Agreement (hereinafter referred to as "Agreement") is effective and obligation is made as of the date of this letter and shall apply to commitments made by the Recipient in furtherance of program objectives for the period of this Agreement, as established in Section B.1. of the Schedule (see Attachment 1).

The total estimated cost of this Agreement is Six Million Eight Hundred and Fifty Seven Thousand Dollars (\$6,857,000) of which \$539,200 is hereby obligated. It is estimated that this initial obligation will be sufficient to incrementally fund the Agreement for a two month period. A.I.D. shall not be liable for reimbursing the Recipient for any costs in excess of the obligated amount. After a post award survey of the Recipient's management and accounting system has been conducted, an additional sum of One Million, Four Hundred and Sixty Thousand and Eight Hundred Dollars (\$1,460,800) may be obligated. Subject to the availability of funds, satisfactory progress and program priorities, up to an additional sum of Four Million Eight Hundred and Fifty Seven Thousand Dollars (\$4,857,000) may be obligated. Funds disbursed by A.I.D. but uncommitted by the Recipient at the expiration of this period shall be refunded to A.I.D.

This Cooperative Agreement is made to the Recipient on the condition that the funds will be administered in accordance with the terms and conditions as set forth in this Cover Letter; Attachment 1, entitled "Schedule;" Attachment 2, entitled "Program Description;" and Attachment 3, entitled "Standard Provisions"; which together constitute the entire Cooperative Agreement document and have been agreed to by your organization.

Please acknowledge receipt of this Cooperative Agreement by signing all copies of this Cover Letter, retaining one copy for your files, and returning the remaining copies to the undersigned.

Sincerely,



Joyce E. Frame
Grant Officer
Chief, FA/OP/CC
Office of Procurement

Attachments:

1. Schedule
2. Program Description
3. Standard Provisions

ACKNOWLEDGED:

PARTNERS IN ECONOMIC REFORM INC.

BY: _____

TYPED OR PRINTED NAME: W.J. Usery, Jr.

TITLE: Chairman

DATE: June 30, 1992

FISCAL DATA

A. GENERAL

A.1. Total Estimated Amount: \$6,857,000
A.2. Total Obligated Amount: \$ 539,200
A.3. Project No.: 110-0002
A.4. A.I.D. Project Office: NISTF/E
Address: Room 4448 New State
Project Officer: Edward Markeset
A.5. Funding Source: A.I.D./W
A.6. Paying Office Address: A.I.D.
FA/FM/CMP/DC - Room 700 SA-2
Washington, D.C. 20523-0209
A.7. Letter of Credit No.: To Be Determined
A.8. DUNS No.: Pending
A.9. T.I.N. No.: 52175663

B. SPECIFIC

B.1.(a) PIO/T No.: 110-0002-3-266-2300
B.1.(b) Appropriation Symbol: 72-112/31037
B.1.(c) Allotment: 270-68-110-00-69-21
B.1.(d) BPC: WES2-92-36110-KG-12
B.1.(e) Amount: \$2,000,000

Attachment 1

SCHEDULE

A. PURPOSE OF COOPERATIVE AGREEMENT

The purpose of this Cooperative Agreement is to provide support for the Recipient's "Coal Project" in support of the program of Coal Mine Management and Safety Improvement component under the Coal, Gas, Oil and Electricity Production and Delivery Systems Project in the New Independent States, as more specifically described in Attachment 2 entitled, "Program Description."

B. PERIOD OF COOPERATIVE AGREEMENT

B.1. The effective date of this Cooperative Agreement is the date of the Grant Officer's signature on the Agreement Cover Letter, and the estimated completion date is August 31, 1995.

B.2. In compliance with the terms and conditions of this Agreement, funds obligated hereunder shall be used to reimburse the Recipient for allowable program expenditures incurred by the Recipient in pursuit of program objectives from the date of the Cover Letter through August 31, 1992 as included in the financial plan of this Agreement. (See section D).

C. AMOUNT OF COOPERATIVE AGREEMENT AND PAYMENT

C.1. The total estimated amount of the program described in Attachment 2 and the period shown in B.1 above of this Cooperative Agreement is \$6,857,000 (hereinafter referred to as "Total Estimated Amount").

C.2. A.I.D. hereby obligates the amount of \$539,200 (hereinafter referred to as "Total Obligated Amount") for program expenditures during the estimated period set forth in B.2. above and as shown in the Financial Plan below. In no event will A.I.D. be liable for the reimbursement of costs to the Recipient which exceed the obligated amount.

C.3. Payment shall be made to the Recipient in accordance with procedures set forth in the Standard Provision entitled "Payment - Letter of Credit", as set forth in Attachment 3.

C.4. Additional funds up to the total amount of the grant shown in C.1 above may be obligated by A.I.D. subject to the availability of funds, and to the requirements of the Standard Provision of the Grant, entitled "Revision of Financial Plans."

D. COOPERATIVE AGREEMENT FINANCIAL PLAN (BUDGET)

D.1. The following is the financial plan for this Cooperative Agreement. Except as specified in the Standard Provision of this Cooperative Agreement entitled "Revision of Cooperative Agreement Budget", as set forth in Attachment 3, the Recipient may adjust budget amounts within the Total Estimated Amount as may be reasonably necessary for the attainment of program objectives.

Revisions to the budget shall be in accordance with Section C. above and the Standard Provisions entitled "Revision of Grant Budget".

AGREEMENT BUDGET

	<u>6/25/92</u> <u>8/31/92</u>	<u>9/1/92</u> <u>8/31/93</u>	<u>9/1/93</u> <u>8/31/94</u>	<u>9/1/94</u> <u>8/31/95</u>
<u>COST ELEMENT</u>				
<u>Advance Team</u>	<u>\$18,360</u>			
SUBTOTAL	<u>\$18,360</u>			
<u>Washington Office</u>				
Salaries	\$20,000	\$162,500	\$170,000	\$175,625
Fringe Benefits	5,340	43,388	45,524	46,892
Consultants	7,200	27,830	27,830	27,830
Travel & Per Diem	11,646	26,792	26,792	26,792
Other Direct Costs	<u>6,245</u>	<u>37,470</u>	<u>38,598</u>	<u>38,598</u>
SUBTOTAL WASHINGTON	<u>\$50,431</u>	<u>\$297,980</u>	<u>\$309,244</u>	<u>\$315,737</u>
<u>Moscow Coordinating Office</u>				
Salary/Benefits	\$13,420	\$ 91,020	\$ 95,571	\$100,350
Travel & Per Diem	38,010	6,400	4,400	38,420
Short-Term Cons.	-0-	5,300	45,096	45,096
Other Direct Costs	16,004	12,670	9,535	4,557
Local Currency Costs	<u>29,400</u>	<u>82,700</u>	<u>83,960</u>	<u>85,284</u>
SUBTOTAL MOSCOW	<u>\$96,834</u>	<u>\$198,090</u>	<u>\$238,562</u>	<u>\$278,807</u>
<u>Focus I Region - Technical Office</u>				
Salary/Benefits	6,335	89,294	95,571	100,350
Travel & Per Diem		32,718	8,518	32,718
Short-Term Cons.	2,000	13,648	28,944	28,944
Other Direct Costs		10,266	5,585	5,707
Local Currency Costs	<u>-0-</u>	<u>35,200</u>	<u>36,805</u>	<u>36,805</u>
SUBTOTAL (1)	<u>\$ 8,335</u>	<u>\$181,126</u>	<u>\$175,423</u>	<u>\$204,524</u>
SUBTOTAL (2)	<u>\$16,670</u>	<u>\$362,252</u>	<u>\$350,846</u>	<u>\$409,048</u>
<u>Focus I Region - Training Center</u>				
Salary/Benefits		43,789	93,296	97,961
Travel & Per Diem		30,900	7,474	31,824
Short-Term Cons.		9,648	48,240	48,240
Other Direct Costs		42,457	24,677	24,098
Local Currency Costs		<u>34,650</u>	<u>70,300</u>	<u>70,300</u>
SUBTOTAL (1)		<u>\$161,444</u>	<u>\$243,987</u>	<u>\$272,423</u>
SUBTOTAL (2)		<u>\$322,888</u>	<u>\$487,974</u>	<u>\$544,846</u>

	<u>6/25/92</u> <u>8/31/92</u>	<u>9/1/92</u> <u>8/31/93</u>	<u>9/1/93</u> <u>8/31/94</u>	<u>9/1/94</u> <u>8/31/95</u>
<u>Focus II Region - Technical Office</u>				
Salary/Benefits				\$ 89,294
Travel & Per Diem				32,748
Short-Term Cons.			14,472	28,944
Other Direct Costs		\$ 4,500	550	9,266
Local Currency Costs		<u>17,900</u>	<u>33,805</u>	<u>40,605</u>
SUBTOTAL (1)		\$ 22,400	\$ 48,827	\$200,857
SUBTOTAL (2)		\$ 44,800	\$ 97,654	\$401,714
<u>Focus II Region - Training Center</u>				
Short-Term Cons.			24,120	24,120
Other Direct Costs			15,550	5,300
Equipment			21,750	8,200
Local Currency Costs			<u>49,000</u>	<u>49,000</u>
SUBTOTAL (1)			\$113,420	\$ 89,620
SUBTOTAL (2)			\$226,840	\$179,240
<u>Participant Training/U.S.</u>				
Travel & Per Diem		67,500	180,000	225,000
Other Direct Costs		<u>25,000</u>	<u>65,000</u>	<u>82,500</u>
SUBTOTAL		\$ 92,500	\$245,000	\$307,500
<u>Quick Start Reconnaissance</u>				
Travel & Per Diem	94,192			
Equipment	235,000	165,000		
Local Currency Costs	<u>27,600</u>			
SUBTOTAL	\$356,792	\$184,000		
<u>Project Evaluation</u>				
Transportation			111,740	
Other Direct Costs			10,500	
Equipment			<u>300,000</u>	
SUBTOTAL			\$422,240	
<hr/>				
TOTAL ESTIMATED COST	\$539,200 (rounded)	\$1,502,510	\$2,378,360	\$2,436,892
CUMULATIVE FUNDING PLAN		\$2,041,710	\$4,420,070	\$6,857,000 (rounded)

E. REPORTING REQUIREMENTS

E.1. Financial Reporting

E.1.(a) Financial reporting requirements shall be in accordance with the Standard Provision of this Cooperative Agreement entitled, "Payment - Letter of Credit," as set forth in Attachment 3.

E.1.(b) The original and two (2) copies of all financial reports shall be submitted to A.I.D.; Office of Financial Management, (FA/FM/CMP/DC); Room 700, SA-2; Washington, D.C. 20523-0209. In addition, six (6) copies of all financial reports shall be submitted to the A.I.D. Project Officer specified on the Fiscal Data section of this Cooperative Agreement.

E.1.(c) With the exception of the final financial report, all financial reports shall be submitted within 30 days following the end of the reporting period. The final financial report shall be submitted within 90 days following the estimated completion date of this Cooperative Agreement.

E.2. Program Performance Reporting

E.2.(a) The Recipient shall submit six (6) copies of a monthly program performance reports to the A.I.D. Project Officer. These reports shall be submitted within 10 days following the end of the month and shall present the following information:

E.2.(a)(1) A table covering all international travel undertaken under the Cooperative Agreement during the reporting month showing name of individual or group, status (long-term technical advisor, short-term technical advisor, reconnaissance team, evaluation team, participant to be trained in U.S., etc.), itinerary, date of arrival, date of departure and purpose of travel.

E.2.(a)(2) A description of all short-term technical assistance visits completed during the reporting month including host organization, purpose and work completed.

E.2.(a)(3) A description on the identity and background information on each host country counterpart organization that the Recipient is working with.

E.2.(a)(4) A description of all in country training courses completed during the reporting month including subject matter, location, duration, source of participants, number of participants and evaluation.

E.2.(a)(5) A description of all participant training in the U.S completed during the reporting month including names of participants, subject matter, location, duration and evaluation.

E.2.(a)(6) A description of other activities carried out during the reporting month.

E.2.(a)(7) A discussion of project implementation accomplishments, issues and problems.

E.2.(a)(8) Proposed remedial action to solve problems.

E.2.(a)(9) A summary of activities planned for the month following the reporting month.

E.2.(b) A work plan, covering each year of the implementation phase after the first year, to be submitted at least ninety (90) days prior to the beginning of the year in question.

E.2.(c) Between the required performance reporting dates, events may occur that have significant impact upon the program. In such instances, the Recipient shall inform A.I.D. as soon as the following types of conditions become known:

E.2.(c)(1) Problems, delays, or adverse conditions that will materially affect the ability to attain program objectives, prevent the meeting of time schedules and goals, or preclude the attainment of work units by established time periods. This disclosure shall be accompanied by a statement of the action taken, or contemplated, and any A.I.D. assistance needed to resolve the situation.

E.2.(c)(2) Favorable developments or events that enable time schedules to be met sooner than anticipated or more work units to be produced than originally projected.

E.2.(c)(3) If any performance review conducted by the Recipient discloses the need for change in the budget estimates in accordance with the criteria established in the Standard Provision of this Cooperative Agreement entitled "Revision of Grant Budget", the Recipient shall submit a request for budget revision to the Agreement Officer and the A.I.D. project officer.

E.2.(d) Annual Progress Reports: Within 30 days following the annual anniversary date of this Cooperative Agreement, the Recipient shall submit to the A.I.D. project officer six (6) copies of an annual progress report which shall summarize the material included in the monthly reports submitted during the year and will describe the year's activities including technical, scientific, managerial and fiscal information. The report shall include:

E.2.(d)(1) A review of program and problems to date, and a discussion of technical and managerial issues significant to the success or failure of the Cooperative Agreement.

E.2.(d)(2) A description of activities to be undertaken in the subsequent year.

E.2.(d)(3) A review of the budget to date by fiscal category expenditures, and a forecast of the expected expenditures for the coming year.

E.2.(e) Final Report of Project: Prior to the estimated completion date of this Cooperative Agreement the Recipient shall submit six (6) copies of a final report to the A.I.D. project officer. It shall include: (1) an executive summary of the Cooperative Agreement's accomplishments or failings, a description of the Cooperative Agreement activities from its inception, (3) significance of these activities, (4) comments and recommendations, and (5) a fiscal report that describes in detail how the Cooperative Agreement funds were used. The Recipient shall submit three (3) copies to the A.I.D. Project Officer in Washington D.C. and two (2) copies to the following address: A.I.D.; Center for Development Information and Evaluation; Document Information Division, POL/CDIE/DI; Room 209F, SA-18; Washington, D.C. 20523-1802.

E.2.(f) Evaluations

E.2.(f)(1) The Recipient will be monitored and evaluated on an ongoing basis by the responsible A.I.D. Project Officer. Informal evaluation of the Cooperative Agreement progress will be an integral part of all activities with new procedures adapted as experience dictates.

E.2.(f)(2) In addition, A.I.D. will conduct annual assessments of the performance and program direction of the Cooperative Agreement. This will permit the redirection of resources to meet changed circumstances in target countries if that is needed. The Recipient shall cooperate fully with the assessment of activities.

E.2.(f)(3) An independent midterm evaluation is scheduled before year 3 with actual report submitted prior to year 3. The midterm evaluation will permit major restructuring of the Cooperative Agreement, if circumstances and conditions in target countries and the program warrant. A.I.D. and Recipient will determine independent consultants and A.I.D. personnel to conduct the independent evaluation.

F. CLOSEOUT PROCEDURES (OMB CIRCULAR A-110)

1. This paragraph prescribes uniform closeout procedures which are in accordance with the Office of Management and Budget (OMB) Circular A-110 for A.I.D. grants and cooperative agreements.
2. The following definitions shall apply for the purpose of this paragraph:
 - (i) Closeout. The closeout of an agreement is the process by which A.I.D. determines that all applicable administrative actions and all required work of the agreement have been completed by the recipient and A.I.D.
 - (ii) Date of completion. The date of completion is the date on which all work under agreements is completed or the date on the award document, or any supplement or amendment thereto, on which A.I.D. sponsorship ends.
 - (iii) Disallowed costs. Disallowed costs are those charges to an agreement that A.I.D. or its representative determines to be unallowable, in accordance with the applicable Federal cost principles or other conditions contained in the agreement.
3. A.I.D. closeout procedures include the following requirements:
 - (i) Upon request, A.I.D. shall make prompt payments to the Recipient for allowable reimbursable costs under the Cooperative Agreement being closed out.
 - (ii) The Recipient shall immediately refund any balance of unobligated (unencumbered) cash that A.I.D. has advanced or paid and that is not authorized to be retained by the Recipient for use in other grants or cooperative agreements.
 - (iii) A.I.D. shall obtain from the Recipient within ninety (90) calendar days after the date of completion of the Cooperative Agreement all financial, performance, and other reports required as the condition of the Cooperative Agreement. A.I.D. may authorize extensions to the Cooperative Agreement when requested by the Recipient.

(iv) When authorized by the Cooperative Agreement, A.I.D. shall make a settlement for any upward or downward adjustments to A.I.D.'s share of costs after these reports are received.

(v) The Recipient shall account for any property acquired with A.I.D. funds, or received from the Government in accordance with any provisions of this Cooperative Agreement.

(vi) In the event a final audit has not been performed prior to the closeout of the Cooperative Agreement, A.I.D. shall retain the right to recover an appropriate amount after fully considering the recommendations on questioned costs resulting from the final audit.

G. INDIRECT COST RATES

G.1. Pursuant to the Standard Provision of this Cooperative Agreement entitled, "Negotiated Indirect Cost Rates - Provisional", a rate or rates shall be established for each of the Recipient's accounting periods which apply to this Cooperative Agreement. Pending establishment of a predetermined, provisional or final indirect cost rates for each of the Recipient's accounting periods which apply to this Cooperative Agreement, provisional payments on account of allowable direct costs shall be made on the basis of charging the headquarter costs as direct costs. After the completion of one year of the Cooperative Agreement, the Recipient shall propose a provisional indirect cost rate.

<u>Description</u>	<u>Rate</u>	<u>Base</u>	<u>Period</u>	<u>Type</u>
Overhead	8	1/	<u>1/</u>	<u>1/</u>
Fringe Benefits	26.7%	2/	<u>2/</u>	<u>2/</u>

1/ Base of Application: _____
 Type of Rate and Period: _____
 Type of Rate and Period: _____

2/ Base of Application: Total Direct Salaries
 Type of Rate and Period: Provisional - 6/25/92 thru 8/31/93
 Type of Rate and Period: _____

H. SUBSTANTIAL INVOLVEMENT UNDERSTANDINGS

It is understood that A.I.D. will be substantially involved during the performance of this Cooperative Agreement in the following manner:

H.1. During the preliminary phase and the first year of the implementation phase, the Recipient must plan for monthly consultations and review of implementation plans and progress with the A.I.D. Project Officer based on the monthly reports submitted by the Recipient. Approval in writing from the A.I.D. Project Officer will be required for any significant changes to the implementation plan.

H.2. The Recipient's activities during the second and any subsequent year of the implementation phase will be based on an annual work plan approved by A.I.D.

H.3. The Recipient shall obtain approval from the A.I.D. Project Officer for all long-term technical advisors and approval for their proposed salaries provided by the Recipient for the project. This approval shall be obtained prior to their commencement of duties on the project.

H.4. Evaluation: The scope of work for the independent mid-term must be developed with, and the evaluator(s) chosen to carry out this activity must be approved in advance by, the Project Officer in the A.I.D. office responsible for the NIS program. This approval must be communicated in writing. The A.I.D. Project Officer is to participate in pre- and post-evaluation briefings and to receive six (6) copies of the completed evaluation report.

I. PROCUREMENT AND (SUB) CONTRACTING

I.1. Authorized Geographic Code

The total value of procurement of goods and services to be procured under this Cooperative Agreement exceeds \$250,000.

Except as may be specifically approved or directed in advance by the Agreement Officer, all goods and services, which will be reimbursed under this Cooperative Agreement and financed with U.S. dollars, shall be procured in and shipped from the U.S. (Code 000) and from any other country within the authorized geographic code as specified in the schedule of this Cooperative Agreement.

All services shall have their nationality in the United States (A.I.D. Geographic Code 000) or the cooperating country (A.I.D. Geographic Code 935), except as A.I.D. may otherwise agree in writing. The authorized source and origin for all goods/commodities shall be in accordance with the Optional Standard Provision entitled, "A.I.D. Eligibility Rules for Goods and Services (November 1985)". In reference to this Standard Provision, although not yet incorporated into A.I.D. Handbooks, A.I.D. Geographic code 935 has been amended to

include the cooperating countries. Requests for deviations to this requirement must include a full justification to be submitted to the Project Office indicated on the Fiscal Data page of this Cooperative Agreement. Approval of the Grant Officer and the Project Office is required before procurement of this nature can be undertaken. Ocean shipping financed by A.I.D. under the program shall, except as A.I.D. may otherwise agree in writing, be financed only on flag vessels of the United States.

I.2. Procurement Cost Detail

The Recipient will be responsible for providing more exact details and specifications of the commodities they propose to procure, including estimated costs of same.

I.3. Local Cost Financing

Local cost financing is hereby authorized under this Cooperative Agreement, provided such financing falls within the legitimate needs of the Program Description of Attachment 2, and does not exceed the following limitations:

a. Procurement locally of items of U.S. origin up to a per transaction limit of the local currency equivalent of \$100,000.

b. Procurement locally of items of non-U.S. origin up to a per transaction limit of the local currency equivalent of \$5,000.

c. Commodities and services available only in the local economy (no specific per transaction value applies to this category). This category includes the following items:

(1) utilities - including fuel for heating and cooking, waste disposal and trash collection;

(2) communications - telephone, telex, facsimile, postal, and courier services;

(3) rental costs for housing and office space;

(4) petroleum, oils, and lubricants for operating vehicles and equipment;

(5) newspapers, periodicals, and books published in the cooperating countries, and

(6) other commodities and services (and related expenses) that, by their nature or as a practical matter, can only be acquired, performed, or incurred in the cooperating countries.

In cases where local cost procurements are expected to exceed the above limitations, and authorization for such procurement does not already exist in this Cooperative Agreement, the Recipient must obtain approval from the A.I.D. Grant Officer prior to proceeding with the procurement.

Except as otherwise changed by the above limitations, the conditions of the Optional Standard Provision entitled "Local Cost Financing (November 1988)", hereby incorporated into this Cooperative Agreement, apply, including paragraphs (b), (c), (d), (e), and (f).

J. SPECIAL PROVISIONS

J.1. Cost Principles

The cost principles applicable to this Cooperative Agreement are set forth in Office of Management and Budget (OMB) Circular A-21.

J.2. Equipment and Other Capital Expenditures

J.2.(a) Requirement for Prior Approval

Pursuant to the Standard Provisions of this Cooperative Agreement entitled "Allowable Costs" and "Revision of Grant Budget," the Recipient must obtain A.I.D. Grant Officer approval for the following: Purchase of "General Purpose Equipment," which is defined as an article of nonexpendable tangible personal property, the use of which is not limited only to research, medical, scientific, or other activities (e.g., office equipment and furnishings, air conditioning equipment, reproduction and other equipment, motor vehicles, and automatic data processing equipment; items having a useful life of more than two years and an acquisition cost of \$500 or more per unit.)

J.2.(b) Approvals

In furtherance of the foregoing, the Agreement Officer does hereby provide approval for the following purchases, which shall not be construed as authorization to exceed the Total Estimated Amount or the Total Obligated Amount of this Cooperative Agreement, whichever is less (see Section C.2. above):

Item Description

Fire Proofing Compounds	Chains and Pumps for De-
Smoke and Gas Detectors	Watering Mines
Spare Parts for High Pressure	Chains, Pipes and
Hoses and Hydraulic Systems	Electrical Equipment
Glues for Belt Repair	Pressure Seals
Truck Tires	High Pressure Hoses
Flocculants for Coal Preparation	Bearings
Fittings for Mine	Bulldozer Parts
Ventilation Ducts	Control Cables
Raw Materials for Batteries	Power Cables
Chloride	Turbines and Rotors
Wire Ropes	Spare Parts
Chemicals and Sulphamine	Ventilation Screens

NOTE: The quantity required will be dependent on conditions at mine sites to be determined after Preliminary Reconnaissance Phase.

J.2.(c) Exception for Automation Equipment

Any approval for the purchase of automation equipment which may subsequently be provided by the Grant Officer is not valid if the total cost of purchases of automation equipment (e.g. computers, word processors, etc.), software, or related services made hereunder will exceed \$100,000. The Recipient must, under such circumstances, obtain the approval of the Grant Officer for the total planned system of any automation equipment, software, or related services.

J.2(d) Used Equipment

Used equipment may only be purchased with the prior written approval of the Grant Officer.

J.3. Defense Base Act (DBA) and/or Medical Evacuation Insurance

Pursuant to Section J.16 of OMB Circular A-21, the Recipient is authorized to purchase DBA and/or medical evacuation insurance under this Cooperative Agreement.

J.4. Title To Property

Title to property purchased by the Recipient under this Cooperative Agreement shall be vested in the Recipient. The Standard Provision of this Cooperative Agreement entitled "Title to and Care of Property (Grantee Title)" applies. Disposition of property shall be in accordance with said Standard Provision.

J.5. Subagreements

J.5.(a) Requirement for Prior Approval

The Standard Provision entitled "Subagreements" shall apply. The Recipient shall obtain the Agreement Officer's written approval prior to entering into any subagreements.

J.6 Language Fluency

Fluency in Russian for long-term technical advisors located in Moscow, the Kuzbass and Vorkuta coal mining regions of the Russian Republic and the Karaganda Basin coal mining region of Kazakhstan and in Ukrainian for long-term advisors located in the Donbass Coal Mining Region of the Ukraine is highly desirable.

J.7 Indirect Cost Rates

The Recipient's Washington Headquarters is dedicated solely to the support of the "Coal Project" and therefore all costs associated with the administration of the project are allocated as direct costs. The Recipient agrees to inform A.I.D. in the event that activities unrelated to the "Coal Project" are administered from the Recipient's Washington Headquarters and that efforts will be made to pursue an indirect cost rate in the first year of the Agreement.

J.8 Travel

The Recipient shall coordinate the bi-annual or annual director's business meetings in Washington Office with the Rest and Recuperation travel for the long-term field personnel who are required to be in attendance.

All air travel and transportation under this Cooperative Agreement are required to be made on U.S. Flag carriers to the extent service by such carriers is available.

K. ORDER OF PRECEDENCE

In the event of any inconsistencies in this Cooperative Agreement, they shall be resolved by applying the following descending order of precedence:

- Attachment 1 - Schedule
Cover Letter
- Attachment 3 - Standard Provisions
- Attachment 2 - Program Description
- Grantee Proposal (incorporated by reference)

L. STANDARD PROVISIONS

The Standard Provisions set forth as Attachment 3 of this Cooperative Agreement consist of the following Standard Provisions denoted by an "X" which are attached hereto and made a part of this Cooperative Agreement:

**L.1. Mandatory Standard Provisions For U.S.,
Nongovernmental Grantees (Recipients)**

- (X) Allowable Costs (November 1985)
- (X) Accounting, Audit, and Records (September 1990)
- (X) Refunds (September 1990)
- (X) Revision of Grant Budget (November 1985)
- (X) Termination and Suspension (May 1986)
- (X) Disputes (November 1989)
- (X) Ineligible Countries (May 1986)
- (X) Debarment, Suspension, and Other Responsibility Matters (March 1989)
- (X) Nondiscrimination (May 1986)
- (X) U.S. Officials Not to Benefit (November 1985)
- (X) Nonliability (November 1985)
- (X) Amendment (November 1985)
- (X) Notices (November 1985)

**L.2. Additional Standard Provisions For U.S.,
Nongovernmental Grantees (Recipients)**

- (X) Payment - Letter of Credit (November 1985)
- () Payment - Periodic Advance (January 1988)
- () Payment - Cost Reimbursement (November 1985)
- (X) Air Travel and Transportation (November 1985)
- (X) Ocean Shipment of Goods (May 1986)
- (X) Procurement of Goods and Services (November 1985)
- (X) AID Eligibility Rules for Goods and Services (November 1985)
- (X) Subagreements (November 1985)
- (X) Local Cost Financing (November 1988)
- (X) Patent Rights (November 1985)
- (X) Publications (November 1985)
- () Negotiated Indirect Cost Rates - Predetermined (May 1986)
- (X) Negotiated Indirect Cost Rates - Provisional (May 1986)
- (X) Regulations Governing Employees (November 1985)
- (X) Participant Training (May 1986)
- () Voluntary Population Planning (August 1986)
- () Protection of the Individual as a Research Subject (November 1985)
- () Care of Laboratory Animals (November 1985)

- () Government Furnished Excess Personal Property
(November 1985)
- (X) Title To and Use of Property (Grantee Title)
(November 1985)
- () Title To and Care of Property (U.S. Government
Title) (November 1985)
- () Title To and Care of Property (Cooperating
Country Title) (November 1985)
- () Cost Sharing (Matching) (November 1985)
- () Use of Pouch Facilities (November 1985)
- (X) Conversion of United States Dollars to Local
Currency (November 1985)

(End of Attachment 1)

Attachment 2

PROGRAM DESCRIPTION

The Recipient's proposal entitled "The Coal Project, Providing Technical Assistance and Training to Independent Management and Labor in the Coal Industry of the Newly Independent States (NIS) of the Former Soviet Union", dated April 27, 1992 (Principal Contact Person: William J. Usery, Chairman) is incorporated by reference and is made a part of this Cooperative Agreement. (See Section K of Attachment 1 for order of precedence.)

A. PURPOSE

The purpose of this Cooperative Agreement is to facilitate the transformation of the centrally planned and controlled coal mining industry in the Kuzbass and Vorkuta regions of the Russian Republic, the Donbass region of the Ukraine and the Karaganda Basin region of Kazakhstan to coal mining enterprises which can survive and compete in a free market economy through the provision of long-term and short-term technical advisors; in country training in the NIS and participant training in the U.S.; and equipment to support low cost short-term improvement measures at individual coal mining enterprises.

B. BACKGROUND

1. Coal in the Economy of the Former Soviet Union

In the early 1960's coal accounted for more than 50% of the USSR's energy consumption. By 1989 this percentage had dropped to 21.4% as a result of a shift towards oil and gas. However, the consumption of coal is planned to increase to 34% by the year 2000. The reasons for the expected resurgence of coal are:

a. Declines in the growth of nuclear and hydro power due to environmental problems.

b. Plans to locate thermal power stations at the site of Siberian coal mines and transmit the power generated to urban industrial centers in European Russia using ultra-high voltage (UHV) transmission lines.

c. Plans for the development water-coal slurry pipelines and coal gasification and liquefaction.

The Newly Independent States (NIS) of the Former Soviet Union control 50% of the world's estimated coal reserves. Coal production in the Soviet Union amounted to 760 million metric tons (mmt) in 1987, 36 mmt of which was exported. Hard coal production amounted to 591 mmt. Electric power accounts for 40% of coal consumption, metallurgy 25%, domestic and utilities 20% and construction and agriculture 15%.

2. NIS Coal Producing Areas

a. Donbass Region, Ukraine

The Donbass Region is located in the southeastern corner of the Ukraine and the adjacent area of the Russian Republic. Coal reserves in Donbass amount to 55 billion metric tons, of which 34 billion are accessible. In 1987 Donbass accounted for about 26% of the coal produced in the Soviet Union. Coal production in the Donbass declined from 198 mmt in 1987 to 179 mmt in 1990. The area produces anthracite and coking and thermal bituminous coal from deep underground mines averaging 600 meters in depth with thin seams averaging 0.9 meter; in thickness.

Coal extraction in Donbass requires mining deeper, thinner seams thus increasing the temperature in working areas and concentrations of both methane gas and water. These conditions require greater investment in mine ventilation systems, gas detection systems and gas protection equipment for miners. Given that coal extraction in the Donbass is becoming increasingly expensive and complicated, it is not clear how much investment in further development of mines in this area would be economically justified.

b. Kuzbass Region, Russian Republic

The Kuzbass Region lies in Western Siberia to the east of the Ural Mountains and to the north of Kazakhstan. Total reserves in Kuzbass are estimated to amount to 700 billion tons. In 1987 the Kuzbass mined about 157 mmt or about 20% of the coal produced in the Soviet Union. By 1990 production had decreased to 145 mmt. The region produces bituminous coal from both

underground (60%) and open pit (40%) mines. Average mine depth is about 260 meters with an average seam thickness of 2.5 meters. The Kuzbass Region is the site of a prototype long-distance coal-slurry pipeline.

c. Karaganda Basin Region, Kazakhstan

The Karaganda Basin Region is located north of Lake Baikhash in eastern Kazakhstan. In 1987 the region produced 52 mmt of coal or about 7% of the Soviet Union's coal production. In the Karaganda Basin bituminous coal is produced from underground mines which average 420 meters in depth with an average seam width of 2.5 meters.

d. Vorkuta (Pechora) Region, Russian Republic

Northeast of Moscow in European Russia above the Arctic Circle on the Barents Sea lies the Vorkuta (Pechora) coal producing region. The 30 mmt produced in the Vorkuta Region amounted to 4% of the total coal production of the Soviet Union in 1987. In the Vorkuta Region bituminous coal is produced from underground mines which average 490 meters in depth from seams with a width of about 2.4 meters.

3. Problems of the NIS Coal Industry

The coal industry in the NIS is grossly inefficient and production is declining. An environment marked by government management and control; central planning with its emphasis on gross output rather than the cost of production; administratively determined prices; central allocation of inputs including spare parts; and government subsidies under the old Soviet system led to continued operation of uneconomic plants, inefficient use of inputs and lack of production incentives. The legacies of this system include antiquated and obsolete equipment, lack of maintenance, unavailability of spare parts, lack of support from associated industries, heavy handed managerial techniques, loss of management control, underutilization of the work force, poor work habits, high rates of absenteeism and low productivity.

Safety and health conditions in the mines are deplorable. Housekeeping is often poor with old equipment, replaced parts and coal refuse lying in various places. Mine conveyor belt and other fires are common. However, fire prevention measures such as ventilation to control spontaneous combustion, water availability and fire fighting equipment are all often inadequate. Coal dust and methane gas concentrations are often excessive resulting in frequent blow outs, particularly in deeper mines, while mine ventilation systems, gas detection

systems and gas protection equipment for miners are generally inadequate. Transportation systems are frequent causes of miner accidents and deaths and unsafe roof supports are common. Mine emergency and rescue teams need better equipment and more training.

The living conditions of miners are difficult. Wages are low and housing is limited in quantity and inadequate. Consumer goods are scarce, particularly in more remote mining areas in Siberia and above the Arctic Circle. Medical facilities are crowded and have inadequate equipment, supplies and stocks of essential medicines.

Knowledge of the working of a free market system and the roles of coal industry management and labor in this system are rudimentary. Modern techniques of the dispute settlement and mechanisms for coordination of management and labor are virtually unknown.

The need for financing to upgrade equipment and make mine operations more efficient is immense. However, knowledge of financing techniques and joint venturing with foreign companies is lacking.

Coal mining regions in the former Soviet Union are environmental disaster areas. Slag piles abound in these areas, some of which smolder continually fouling the air. Underground mines often result in ground settling at the surface forming stagnant pools of water and swampy areas. Little or no effort is made to restore abandoned open pit areas. Coal mine operations also result in large quantities of pollutants being release into the air and local water sources.

4. Development of the Project

The beginnings of this Project occurred in 1989 when USG representatives visited some of the coal regions of the then Soviet Union. At the time, Soviet coal miners were just beginning to organize into what would eventually become independent miners' unions. These independent unions, through strikes and other political activity, played an important role in the events that led to the eventual dissolution of the Soviet Union.

Groups of independent miners visited the U.S. in December 1989/January 1990 and again in January 1991 and met with leaders of U.S. coal industry labor and management. As a result of these meetings, a group of representatives of the U.S. coal

industry agreed to help the representatives of independent coal mining unions help the coal industry in the Soviet Union make the transition from operation in a command economy to operation in a free market through the provision of technical assistance, training and the supply of information. The U.S. coal industry group agreed to send a delegation to the then Soviet Union later on in the year.

The U.S. coal industry group spent the period from 7 to 22 June 1991 in the then Soviet Union. W.J. Usery, former Secretary of Labor, led the group which included top labor and management representatives from the U.S. coal industry, the Assistant Secretary of Labor responsible for mine health and safety and representatives of the State Department. The objectives of the group were to:

- a. Familiarize the U.S. coal industry group with conditions in the then Soviet coal industry.
- b. Give seminars in various aspects of the development, operation and interaction of coal industry unions and management in a free market.
- c. Lay the organization groundwork for a long-term program of technical assistance, training and information supply and jointly plan the next steps in the program.

The group visited a dozen coal mines and several supporting facilities in the Donbass region of the Ukraine and the Kuzbass region in the Western Siberian portion of the Russian Republic. The group met with thousands of coal miners; union leaders; mine managers; and local, republic and all-union level officials.

The group concluded that, despite widespread support for change and economic reform, the enormity of the problems facing the coal industry in the NIS of the former Soviet Union precluded a quick solution to the industry's problems. Massive infusions of technology, managerial techniques and capital will be required to convert the NIS coal industry into a modern, efficient industry operating in a free market environment. A range of the problems the group found are discussed above the "Problems of the NIS Coal Industry" section.

In both Donbass and the Kuzbass, the coal industry group signed a detailed memorandum of agreement with local labor, management and political leaders. The Kuzbass agreement focuses on the establishment of a regional training center. The Donbass

agreement talks about (1) technical assessment of regional coal enterprises, (2) participant training in the U.S., (3) supply of information and (4) in country training including training for displaced workers.

This Project is a direct result of the visit of the U.S. coal industry group to the NIS of the former Soviet Union in June 1991. The initiative was included in the State Department Press Release on assistance to the NIS 23 January 1992.

5. Project Purpose

The purpose of the Coal Industry Independent Management and Labor Subproject is to facilitate the transformation of the centrally planned and controlled coal mining industry in the Kuzbass and Vorkuta regions of the Russian Republic, the Donbass region of the Ukraine and the Karaganda Basin region of the Kazakhstan to coal mining enterprises which can survive and compete in a free market economy through the cooperative efforts of entrepreneurs, management and labor in the areas of technical and economic efficiency, enterprise management, health, safety and labor union development.

C. PROGRAM DESCRIPTION

The following program description has been adapted from a preliminary proposal submitted to A.I.D. by Partners in Economic Reform. The Project will be divided into two phases, the preliminary phase and the implementation phase. The preliminary phase will involve "quick start" reconnaissance visits by teams from the U.S. coal mining industry to each of the four NIS coal mining regions to be included in the Project. Each team will be divided equally between management and labor union officials. The teams will determine priority equipment, technical assistance and training needs and develop plans for the implementation phase.

The implementation phase will commence at the close the preliminary phase. For the implementation phase of the Project, the four selected coal mining regions have been divided into two groups; focus regions and other regions. The Kuzbass region in the Russian Republic and the Donbass region of the Ukraine have been designated as focus regions. The Vorkuta region of the Russian Republic and the Karaganda Basin region of Kazakhstan have been designated as other regions. The implementation phase involves the establishment and operation of (1) regional liaison and technical assistance offices in each region, (2) regional training centers in each region, (3) a project coordination office in Moscow and (4) a project coordination office in Washington, DC.

The regional liaison and technical assistance offices and the training centers in focus regions will be headed by long-term American technical advisors. A local hire director will head the liaison and technical assistance offices and the training centers in the other regions under the supervision of a focus office or center. Both liaison and technical assistance offices and training centers will have access to short-term personnel from the U.S. coal industry to meet priority technical and training assistance needs and conduct priority studies during the first two years of the implementation phase. The training centers will plan and conduct training for coal enterprise entrepreneurs, managers, trainers and workers and interested government officials both at the center and the coal enterprise sites.

The Project will train participants in the U.S. during the first two years of the implementation phase. This participant training will be provided by the U.S. coal industry.

The project includes a coal industry project evaluation during the first half of the second year of the implementation phase. This activity is similar to the design of the quick start reconnaissance visits. However, an evaluation of liaison and technical assistance offices, training centers, technical assistance provided, studies completed, training provided and the status of coal mining enterprises visited previously will also be included. Four contract consultants and two direct-hire A.I.D. employees will join the coal industry representatives in the evaluation of the Project.

The head of the Moscow Coordination Office will be a long-term American technical advisor. Besides carrying out project coordination and liaison functions, this Office will provide advice and assistance to central coal mining union and other coal industry organizations. The Washington Headquarters Office will be the main point of contact with the U.S. Coal Industry and, as such, will carry out important coordination and liaison functions.

ATTACHMENT 1

STANDARD PROVISIONS

Note: Only those Standard Provisions indicated in Section K of this Grant apply to this Grant.

AGENCY FOR INTERNATIONAL DEVELOPMENT
PROJECT IMPLEMENTATION ORDER/TECHNICAL SERVICES (PIO/T) *

Page 1 of 3 Pages

1. Cooperating Country New Independent States Regional		2. PIO/T No. 110-0002-3-266-2300	3. PIO/T Amend No. Original
4. Project/Activity No. and Title 110-0002 Energy Efficiency and Market Reform		5. Appropriation Symbol(s) 72-112/31037	
7. Pro Ag No. or Project Authorization Date January 21, 1992		6. Budget Plan Code(s) WES2-92-36110-KG-12 (270-68-110-00-69-21)	
9. Project Assistance Completion Date (Month, Day, Year) February 25, 1996		8. Obligation Status <input checked="" type="checkbox"/> Administrative Reservation <input type="checkbox"/> Implementing Document	
11. Type of Action and Governing A.I.D. Handbook [B]		12. Contract/Grant/Cooperative Agreement/ Reference Number (if this PIO/T is for an order or a modification to an award) K N/A	
A. A.I.D. Contract (HB14)		C. PASA/RSSA (HB 12)	
B. A.I.D. Grant or Cooperative Agreement (HB 13)		D. Other	

13. A.I.D. Funding (Attach a detailed budget in support of column (2) as Attachment A.)

	(1) Previous Total	(2) Increase	(3) Decrease	(4) Total to Date
A. Dollars	-0-	2,000,000		2,000,000
B. U.S.-Owned Local Currency				0

14. Mission References *

15. Instructions to Authorized Agent *This PIO/T supercedes PIO/T 110-0002-3-262-2829, to transfer funding from FY 91 carryover to FY 92. The Office of Procurement is requested to negotiate a 15 month non-competitive cooperative agreement with the Partners in Economic Reform (PIER) to support activities in the attached scope of work and proposal. The initial amount obligated is to be \$540,000 for the first three months of the program. The balance of the PIO/T may be obligated after a survey of the GRANTEE'S MANAGEMENT and ACCOUNTING SYSTEMS.

FA/FM/A/NPA & PA

OFFICE OF FINANCIAL MANAGEMENT

16. Address of Voucher Paying Office *A.I.D.; FA/FM/CMPD/DCB, Room 700, SA 2, Wash. D. C. 20523-0909
 ACTION: Reserve

17. Clearances - Include typed name, office symbol, and date for all clearances.
 DATE: 6/5/92 INITIALED [Signature]

A. The Project Officer certifies (1) that the specifications in the statement of work or program description are technically adequate, and (2) that (for contract actions only) all program personnel (who are defined as procurement officials under 41 U.S.C 423 have signed the Procurement Integrity Certification (OF-333).

Signature Edward Harkeset, NISTF/E *

Date: * 6/12/92 Phone No: 7-6988 *

B. The statement of work or program description lies within the purview of the initiating office and approved agency programs.

Signature: Mariadene Johnson, NISTF/P Date: 6/3/92* (DRAFT)

C. Signature: John Wiles, NISTF/FM Date: * 6/12/92

D. Funds for the services requested are available

Signature: Rose Anderson, FA/MF/A/PA * Date: *

Signature: John Wiles, NISTF (DRAFT)* Date: 5/18/92*

18. For the Cooperating Country: The terms and conditions set forth herein are hereby agreed to:

Signature: *

Title: *

Date: *

19. For the Agency for International Development:

Signature: Barbara Turner (DRAFT) *

Title: DD/NISTF*

Date: 6/3/92*

FOR CONTRACT ACTIONS ONLY: SOURCE SELECTION INFORMATION--SEE FAR 3.104. THIS DOCUMENT, OR PORTIONS THEREOF, CONTAINS PROPRIETARY OR SOURCE SELECTION INFORMATION RELATED TO THE CONDUCT OF A FEDERAL AGENCY ACQUISITION, THE DISCLOSURE OF WHICH IS RESTRICTED BY LAW (41 U.S.C. 423). UNAUTHORIZED DISCLOSURE OF THIS INFORMATION MAY SUBJECT BOTH THE DISCLOSER AND RECIPIENT TO CONTRACTUAL, CIVIL, AND/OR CRIMINAL PENALTIES AS PROVIDED BY LAW.

FOR OTHER ACTIONS: UNAUTHORIZED DISCLOSURE OF PROPRIETARY OR SOURCE SELECTION INFORMATION MAY SUBJECT AN EMPLOYEE TO DISCIPLINARY ACTION.

AID 1350-1 (11/91)

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